GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:786
ANSWERED ON:28.11.2005
CREDIT POLICIES FOR FARMERS
Reddy Shri Karunakara G.

Will the Minister of AGRICULTURE be pleased to state:

(a) whether the farmers of the country have been agitating against the so called anti-kisan policies of the Government, especially with regard to credit policies for farmers;

(b) if so, the demands of the farmers; and

(c) the reaction of the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a) & (b): The farmers in the country have been drawing the attention of the Government towards the problems of inadequate availability of credit, high interest rate on agriculture loans, insufficient debt relief measures, complexities in lending procedures including margin/ security requirements for agriculture loans and have been demanding remedial measures in this regard.

(c): Details are Annexed.

Annexure

(1) For providing adequate agricultural credit to the farmers, Government of India on June 18, 2004 announced a farm credit package which included doubling the flow of agricultural credit in three years. The major announcements were as under −

Credit flow to agriculture sector to increase @ 30% per year.

The branches of Commercial Banks (CBs) and Regional Rural Banks (RRBs) to be energized to enhance the flow of agricultural credit.

Under Special Agricultural Credit Plan (SACP), at least 100 new farmers should be financed at each rural and semi urban branches during the current year, resulting in enrolling about 50 lakh new borrowers.

Financing at least 2 to 3 new investment projects in Plantation & Horticulture, Fisheries, Organic farming etc.

Finance at least 10 Agro Clinics in each district during the current year.

Public sector banks to lend more to small and marginal farmers and progress in this behalf will be monitored.

Provide credit to tenant farmers and oral lessees.

Debt restructuring as opposed to debt write off.

Debt relief measures for

$ Farmers in distress

$ Farmers in arrears

$ OTS for small and marginal farmers

$ Loans to farmers for Redemption of past debts from non-institutional lenders.

Refinements in Kisan Credit Card (KCC) Scheme and revisiting of Scales of Finance and realign the same to meet the realistic needs of the farmers especially capital-intensive agricultural operations.

Special package to promote technological upgradation in agriculture, agro-processing and agri-biotech.

(2) Kisan Credit Card (KCC) is one of the key products developed to improve farmers` accessibility to bank credit for production purposes, simplify the credit delivery mechanism and provide more flexibility in the use of credit. KCC Scheme aims at providing adequate and timely credit support from the banking system to farmers for their cultivation needs in a flexible, hassle free and cost effective manner. The content of the scheme has been revised to include the investment and consumption credit needs of farmers. The progress in the issuance of KCC is quite impressive and banks have issued more than 530 lakh KCCs up to 31st August, 2005. There is coverage of risk of KCC holders against accidental death or permanent disability upto a maximum of Rs.50,000 and Rs.25,000 respectively.

(3) All the Public Sector banks have been advised to reduce their lending rate for agriculture to a single digit rate of not more than 9% per annum on crop loans upto a ceiling of Rs. 50,000/-.

This rate will benefit most of the crop loan account holders and will cover almost all the small and marginal farmers. The banks have also been advised to ensure that the volume of credit to the agriculture sector does not decline due to the reduction in interest rate. Further, in case of Commercial Banks, there is a stipulation that the rate of interest charged from the ultimate borrower should not exceed their Benchmark Prime Lending Rate (BPLR) in case of loans up to Rs. 2 lakh.

(4) To improve the economic condition of the indebted farmers, Government has advised the banks to undertake debt relief measures under the following heads in accordance with the guidelines issued by Reserve bank of India (RBI)/ National Bank for Agriculture & Rural Development (NABARD):-

Farmers in distress − Rescheduling/restructuring of the outstanding loan of the farmer as on 31st March, 2004 in the districts declared as calamity-affected by the State Government. Rescheduled loan shall be repayable over a period of five years, at current interest rates, including an initial moratorium of two years.

Farmers in arrears − Loans in default of farmers who have become ineligible for fresh credit as their earlier debts have been categorized as sub-standard or doubtful shall be rescheduled as per the guidelines so that such farmers become eligible for fresh credit.

On restructuring as above, the farmers will become eligible for fresh loans.

(5) Banks have been advised to grant a one-time settlement (OTS) including partial waiver of interest or loan to the small and marginal farmers who have been declared as defaulters and have become ineligible for fresh credit. Banks have also been advised to review cases where credit has been denied on the sole ground that a loan account was settled through compromise or write offs.

(6) In some parts of the country, farmers face acute distress because of the heavy burden of debt from non-institutional lenders (e.g., moneylenders). Banks have been permitted to advance loans to such farmers to provide them relief from indebtedness.

(7) The banks have been advised to waive margin/ security requirements for agricultural loans up to Rs. 50,000 and for agri-business & agri-clinics loans up to Rs. 5 lakh.